

Message Text

LIMITED OFFICIAL USE

PAGE 01 ROME 10564 021901Z

72

ACTION EUR-25

INFO OCT-01 EA-11 ISO-00 SPC-03 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-15 STR-08 OMB-01 CEA-02 SCEM-02

CIAE-00 COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12

LAB-06 SIL-01 PA-03 PRS-01 USIA-15 /169 W

----- 125330

R 021745Z OCT 73

FM AMEMBASSY ROME

TO SECSTATE WASHDC 1112

INFO AMEMBASSY BELGRADE

AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

AMEMBASSY VIENNA

USMISSION EC BRUSSELS

USMISSION OECD PARIS

LIMITED OFFICIAL USE ROME 10564

E.O. 11652: N/A

TAGS: ENRG, IT

SUBJECT: GOVERNMENT APPROVES PRICE INCREASE ON GASOLINE AND OTHER
PETROLEUM PRODUCTS

REF: ROME A-353, JUNE 20, 1973 (NOTAL)

1. BEGIN SUMMARY. GOI COUNCIL OF MINISTERS IN MEETING SEPTEMBER 29
APPROVED A LONG EXPECTED INCREASE IN RETAIL PRICE OF GASOLINE AND
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 ROME 10564 021901Z

GASOIL FOR HEATING AND FOR COMBUSTION ENGINES. A PORTION OF THE

INCREASE GOES TO THE PETROLEUM COMPANIES AND DISTRIBUTORS WHO HAVE BEEN VOCIFEROUSLY CALLING FOR PRICE HIKES TO OFFSET WELL DOCUMENTED RISING COSTS, WITH REMAINDER TO GOVERNMENT IN FORM INCREASED MANUFACTURING TAXES. GOVERNMENT SIMULTANEOUSLY INSTRUCTED INTER-MINISTERIAL COMMITTEE FOR ECONOMIC PLANNING (CIPE) TO DRAW UP COMPREHENSIVE "PETROLLEUM PLAN" WHICH WOULD SERVE TO GUARANTEE CRUDE SUPPLIES, RATIONALIZE AND CONTROL REFINING CAPACITY AND DISTRIBUTION NETWORKS AND STRENGTHEN ROLE OF STATE OIL COMPANY, ENI. PRICE MEASURES HAVE ELICITED CRITICAL REACTIONS FROM COMMUNISTS, SOME ELEMENTS OF SOCIALIST PARTY (PSI), AND UNIONS WHICH MAINTAIN THEY CONSTITUTE A CAVING IN TO PETROLEUM COMPANIES IN FACE OF THREATENED SUPPLY SHORTAGES AND A COMPROMISE OF OBJECTIVES OF GOVERNMENT'S ANTI-INFLATION PROGRAM.END SUMMARY.

2. PRICE INCREASES ARE AS FOLLOWS: GASOLINE --PREMIUM FROM 162 TO 185 LIRE PER LITER (\$1.20 A GALLON) (-23 LIRE, DISTRIBUTED AS FOLLOWS: 5.83 TO COMPANIES, 1.50 TO DISTRIBUTORS, 15.67 TO GOVERNMENT); REGULAR FROM 152 TO 175 PER LITER (\$1.14 A GALLON) -- (-23 LIRE SAME DISTRIBUTION AS FOR PREMIUM). GASOIL FOR COMBUSTION ENGINES: FROM 80 TO 95 LIRE PER LITER -- (15 LIRE, 7 LIRE TO COMPANIES AND 8 TO GOVERNMENT). GASOIL FOR HEATING: FROM 24 TO 28 LIRE --(WITH AN INCREASE OF 7 LIRE TO COMPANIES, 4 LIRE THROUGH PRICE INCREASE AND 3 LIRE THROUGH A REDUCTION IN THE PRESENT MANUFACTURING TAX, WHICH WILL REQUIRE PARLIAMENTARY APPROVAL). PETROLEUM COMPANIES REPORTEDLY HAD BEEN ASKING FOR AN 8 LIRE/LITER INCREASE ON GASOLINE. GOVERNMENT SOURCES ESTIMATE THAT PRICE MEASURE WILL YIELD INCREASED 1974 REVENUE OF 310 BILLION LIRE (\$533 MILLION), WHICH WILL SERVE IN PART TO MEET COST OF PROJECTED INCREASE IN PENSION PAYMENTS

3. MEASURES ALSO PROVIDE FOR TERMINATION AT THE END OF THIS YEAR OF PRESENT SYSTEM OF DISCOUNT GASOLINE COUPONS FOR TOURISTS, AND INCREASE FROM 5 TO 7 PERCENT INTEREST RATE TO WHICH PETROLEUM COMPANIES SUBJECT FOR 2 OR 3 MONTH DELAY IN PAYMENT TO GOVERNMENT OF MANUFACTURING TAX ON PETROLEUM PRODUCTS.

4. GOVERNMENT MANDATE TO CIPE TO PREPARE A NATIONAL PETROLEUM PLAN WHICH WILL PERMIT GUARANTEED OIL SUPPLY, GREATER CONTROL OF REFINING ACTIVITIES INCLUDING DOMESTIC MARKET AND EXPORT QUOTAS, LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 ROME 10564 021901Z

OVERALL RATIONALIZATION OF PETROLEUM SECTOR AND STRENGTHENED ROLE OF ENI STRONGLY APPLAUDED BY SOCIALISTS. OUTLINE OF PLAN REPORTED TO DATE IN PRESS RATHER VAGUE AND FRAGMENTARY -- E.G., NO INDICATION AS TO HOW CRUDE SUPPLY CAN BE "GUARANTEED" OR HOW DOMESTIC AND EXPORT QUOTAS FOR REFINERIES TO BE ADMINISTERED. PORTION OF MANDATE DEALING WITH STRENGTHENED ROLE OF ENI MENTIONS LONG TERM CONTRACTS WITH PRODUCING COUNTRIES AND PURCHASE OF PETROLEUM PRODUCTS WITHIN FRAMEWORK OF BROAD COMMERCIAL AND

INDUSTRIAL AGREEMENTS.

5. INDUSTRY SOURCES INITIAL REACTION TO OVERALL MEASURES IS MIXED: SATISFACTION WITH PRICE INCREASES, EVEN IF LESS THAN WHAT INDUSTRY HAD BEEN ASKING FOR, WITH SOME CONCERN HOWEVER OVER IMPLICATIONS OF A NATIONAL PETROLEUM PLAN WHICH MIGHT CONCEIVABLY CONSTRAIN OPERATION OF PRIVATE COMPANIES. ONE COMPANY SOURCE TERMED THE PRICE DECISION A SUCCESS IN THAT IT CONSTITUTES RECOGNITION BY THE GOVERNMENT OF WHAT HAD BECOME AN UNTENABLE SITUATION FOR THE COMPANIES IN THE ITALIAN MARKET. THE SOURCE EXPRESSED HOPE THAT GOI WIL HENCEFORTH EXAMINE PETROLEUM PRODUCT COST AND PRICE SITUATION PERIODICALLY AND MAKE ADJUSTMENTS WHEN NECESSARY WITHOUT THE POLITICAL TRAUMA OF THE RECENT MEASURE, THE FIRST PRICE INCREASE SINCE 1970. COMMENT: PRESENT MEASURES RESPOND TO COMPANY DEMANDS RELATIVE TO CURRENT INTERNATIONAL CRUDE PRICE SITUATION. WITH FURTHER CRUDE PRICE INCREASES -- WHICH SEEM A BETTER THAN EVEN BET IN CURRENT VOLATILE INTERNATIONAL MARKET SITUATION -- COMPANIES WILL EXPECT GOVERNMENT TO SANCTION PRICE ADJUSTMENTS ACCORDNGLY, WITH FAILURE TO DO SO LIKELY TO AUSE NEW CONFRONTATIONS BETWEEN COMPANIES AND GOVERNMENT.

6. TRADE UNIONS REACTED STRONGLY TO INCREASE PRICES PETROLEUM PRODUCTS, POINTING OUT THAT THIS MEASURE DIRECTLY CONTRADICTS GOVERNMENT POLICY OF PRICE CONTROL AND WILL HAVE IMMEDIATE ADVERSE EFFECT ON FAMILY BUDGET. THE UNIONS EMPHASIZED THAT ANTICIPATED PENSION INCREASES SHOULD IN NO WAY BE LINKED TO PETROLEUM PRICE RISE SINCE FUNDS ARE AVAILABLE ELSEWHERE. UNIONS AT PRESENT UNCERTAIN AS TO HOW TO FOLLOW UP VERBAL BLAST. FEDERATION CGIL, CISL, UIL WILL TAKE UP ENTIRE ISSUE OF GOVERNMENT ANTI-INFLATION MEASURE AFTER OCT 2-5 CISL GENERAL COUNCIL MEETING.
(1.00 - 581.5 LIRE)
BEAUDRY

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 02 OCT 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: garlanwa
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973ROME10564
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: ROME
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19731055/aaaabogx.tel
Line Count: 146
Locator: TEXT ON-LINE
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 73 ROME A-353, JUNE 20, 1973 (NOTAL)
Review Action: RELEASED, APPROVED
Review Authority: garlanwa
Review Comment: n/a
Review Content Flags:
Review Date: 12 JUL 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <12-Jul-2001 by thigpegh>; APPROVED <18-Sep-2001 by garlanwa>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: GOVERNMENT APPROVES PRICE INCREASE ON GASOLINE AND OTHER PETROLEUM PRODUCTS
TAGS: ENRG, IT
To: SECSTATE WASHDC BELGRADE BERN BONN AMEBASSY BRUSSELS COPENHAGEN DUBLIN LONDON
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005